EXHIBIT 61

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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DEXIA SA/NV, DEXIA HOLDINGS INC., FSA ASSET MANAGEMENT LLC and DEXIA CREDIT LOCAL SA,

PLAINTIFFS,

-against-

BEAR STEARNS AND CO., INC., THE BEAR STEARNS COMPANIES, INC., BEAR STEARNS ASSET BACKED SECURITIES I LLC, EMC MORTGAGE LLC (f/k/a EMC MORTGAGE CORPORATION), STRUCTURED ASSET MORTGAGE INVESTMENTS II, INC., J.P. MORGAN MORTGAGE ACQUISITION CORPORATION, J.P. MORGAN SECURITIES LLC (f/k/a JPMORGAN SECURITIES INC.), WAMU ASSET ACCEPTANCE CORP., WAMU CAPITAL CORP., WAMU MORTGAGE SECURITIES CORP., JP MORGAN CHASE & CO., and JPMORGAN CHASE BANK, N.A.,

DEFENDANTS.

No. 12-cv-4761
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DEPOSITION OF MARY HAGGERTY

New York, New York

Wednesday, December 19, 2012

Reported by:

Rebecca Schaumloffel, RPR, CLR

Job No: 56641

to explain in general how an entity would make money on securitization.

Q. Let's -- I believe I understand your concern, which is when the profits came in to the corporate entity, it was under Bear Stearns and Co., Inc. You don't know as you sit here today how that was allocated down to the various entities; is that correct?

A. That's correct.

Q. Do you know how profits came in to the corporate structure through the securitization business?

A. I don't know specifically. I can tell you generally from my general understanding of how the business worked.

Q. Generally, how did the Bear Stearns and Company, Inc. corporate family earn profits in the securitization business?

A. My general understanding of how this worked was as follows: The trading desk at Bear Stearns determined what the prices would be to pay for the mortgage loans that EMC was going to buy in the conduit business. We are not speaking of this scratch-and-dent

M. HAGGERTY

business at all here. We are talking about newly originated loans, whether it is flow conduits or whether it is bulk packages.

So the trading desk was responsible for coming up with those prices, and I believe they came up with those prices based on their understanding of where they could several months later execute in a securitization structure. So there is that aspect of pay money to purchase an asset, hold it for a period of time, during which time you would earn what we call the carry, the difference between the interest income that you earn on that asset by owning it and what it cost you to finance it.

You also have expenses. Those expenses hedge your interest rate risk. And then obviously you have operating expenses.

And then you have the proceeds from the sale of securitizations -- of the securitization -- sorry, of the certificates issued in connection with the securitization. Sometimes certain of the certificates issued are retained by either EMC or Bear Stearns,

M. HAGGERTY

and a profit would be determined by putting a mark to market value on that retained instrument.

So a profit from a transaction would be basically what you paid to acquire it, what carry you earned on it, and then what the proceeds were, whether they were cash proceeds from the sale or a valuation put on the asset at that time. There was also typically a value ascribed to the servicing asset that was created when you securitized. And then there is operating expenses and transaction expenses that were then deducted.

Q. Were these profits generated on a securitization-by-securitization basis?

A. I believe that there was a daily calculation of P&L, profit and loss, and that daily calculation would be on the loan position itself. My understanding is that you start to calculate P&L when you do the trade to purchase the asset. It is what we refer to as being long the asset.

So if you have a long position,

M. HAGGERTY

of it, but the offering part of the underwritten transactions was handled by the syndicate desk, and that was Carol Fuller.

Q. In the instances where Bear Stearns served only as an underwriter, did Bear Stearns conduct any due diligence on the offerings?

A. I don't have specific information about that, because I was not involved specifically with those transactions. Again, my general recollection of having worked there at the time is yes.

Q. Who would conduct that due diligence?

A. Typically it would have been third-party due diligence firms.

Q. Clayton, for example?

A. Clayton is an example of a third-party due diligence firm that was quite prominent during that time period.

Q. It was one of the third-party due diligence firms that Bear Stearns retained, correct?

A. I know for sure we used Clayton

M. HAGGERTY

But with respect to the collateral that was sourced through EMC, through the flow conduit or through the bulk acquisition channels, the data that was sent by the analyst in the mortgage finance group came out of a system called WITS, which was an EMC proprietary database that contained data on the mortgage loans that were in inventory.

Q. You made a -- I believe you made a distinction in your answer where you referred to underwriter transactions. Do you recall that?

A. Yes.

Q. What were you referring to when you said underwriter transactions?

A. We spoke earlier about Matt Perkins' line of business where Bear Stearns and Co. acted as underwriter for mortgage securitization and was not the issuer.

Q. In those transactions, did Bear Stearns communicate with the rating agencies regarding the structure?

A. They did, yes.

information that was provided to them?
A. I believe the rating agencies relied on the accuracy of the information in the data files that they received.
Q. Whether they received it from Bear Stearns or perhaps the originator on the deal in -- or the issuer on the deal in an underwriting deal?
A. Correct.
Q. Correct?
So we started this line of questioning with a general explanation of the process of how a mortgage loan makes its way into a securitization. Do you recall that?
A. Yes.
Q. It begins with the purchase, correct?
A. Yes.
Q. At least at Bear Stearns, it begins with the purchase of a mortgage loan, correct?
A. I am hesitating because there were situations which were called pre-funding accounts where some securitizations, to my

M. HAGGERTY

in that securitization; it just may have come after the structuring of the securitization, correct?

A. Correct.

Q. How did EMC purchase loans?

A. EMC purchased loans through a number of channels. The first one I will describe is the bulk channel. What bulk purchase refers to is a circumstance where an approved seller presents a pool of loans that they had originated to Bear Stearns and to other potential investors. Bear Stearns and other potential investors then choose to bid on the entire pool or some portion of the pool or choose not to bid.

And they would -- if they do choose to bid, they will submit those bids to the seller. The seller receives the bids from Bear Stearns and the other competitors, evaluates those bids and makes a determination as to which entity to transact with.

So once that entity is noticed, in the case, let's say, Bear Stearns wins

M. HAGGERTY

that bid, what would happen next is that a transaction deal manager would be notified by the trader that the bid had been won, and that deal manager would receive from the trader the loan-level detail of the loans to be purchased.

The transaction manager would write a commitment draft -- a commitment letter document saying -- it's kind of the high-level points of the transaction, send it to the seller, and the seller and the deal manager would agree, yes, here is the aggregate unpaid principal balance, here is the purchase price, here is the settlement date, here is a stratification of the loan pool, so we can see what the agreed-upon attributes are, like weighted average coupon, percent purchase money, things of that nature.

And the next thing that would happen is settlement date is scheduled. The transaction manager coordinates with a due diligence manager. We have identified those people earlier, John Mongelluzzo and the

M. HAGGERTY

other four people we mentioned in that conversation.

We then work with one of the third-party due diligence firms to arrange for due diligence. Typically, on the bulk transactions, the third-party due diligence firm would travel to the seller's office to review the loan files.

Separate from that third-party due diligence review of the loan files, there is also a process by which the live collateral, meaning the note and the mortgage and the preliminary title commitment, would be sent to a document custodian to be reviewed as well. The reason for that is that the way that Bear Stearns typically financed its bulk purchases was with a trust receipt, and they would pledge that trust receipt in the market to get repo financing for the loans to buy them.

So the third-party custodian had to receive the collateral and check it, so they can issue the trust receipt that Bear Stearns could then use to pledge to get the

M. HAGGERTY

funds to buy the loan and settle the transaction.

So the third-party due diligence firm is doing a review of the loans. In some cases they look at every single loan, and in some cases they look at a sample of a loan. In all cases, it was typical with respect to each loan that they looked at to verify the data per the electronic data file to the actual documents in the file. So in other words, if the note rates as 5%, they view the copy of the note in the file to see that 5% matches. And we would typically do that for the collateral attributes that went into pricing, that were sent to the rating agencies, that flowed through to offering documents and securitization, and then sometimes that we would need for servicing.

The second thing that the third-party due diligence firm would do, they would review the file and re-review it to see if the file documents on their face conformed with the agreed-upon underwriting guidelines supplied by the seller.

M. HAGGERTY

banks, correct?

A. Other Wall Street banks and other investors. Sometimes we competed against Countrywide, for example.

Q. Would the percentage of due diligence to be conducted on a particular pool of loans be included in the bid?

A. What we would do when we gave our bid, we give a list of bid stipulations, and typically the level of due diligence would be included in those bid stipulations, yes.

Q. Were you aware, in 2005-2007 timeframe, what the competitive market was requesting in terms of the amount of due diligence to perform on a pool in a bulk purchase?

A. I would say that in a general matter, yes.

Q. What was that percentage?

A. Generally, for Alt-A collateral, it was about 20% sample. And then generally for subprime, the market was doing 100% review. I would say for very small bulk packages of Alt-A from small originators, it

M. HAGGERTY

may have been typical to do 100% really because of the low small numbers. If they are showing you 15 loans, you may as well just review all 15 loans.

So I would say for Alt-A the percentages varied from 20 to 100, somewhat dependent on the size of the package being offered. And then for subprime, it was typically 100, although some market participants, sellers, that is, could demand a smaller percentage.

Q. When you say 100%, what do you mean 100%?

A. I mean that with respect to a pool of subprime loans, for example, the third-party due diligence firm would look at every single loan in the pool.

Q. Would they re-underwrite every single loan in the pool to confirm that it met the stated underwriting guidelines?

A. They would review every single loan in the pool, the documents on their face in the file, to confirm that they conformed with the agreed-upon underwriting guidelines.

agreed-upon underwriting guidelines.

Q. And when you say that you review, were they looking at the loan file to ensure that the FICO score in the loan file matched the FICO score in the data?

A. Yes. That is the data integrity portion of the third-party review that I have described.

Q. Did they conduct a verification of owner occupancy on 100% of the loans?

A. They did not conduct an independent verification of owner occupancy on any of the loans. Independent verification was not part of the scope of the up-front due diligence.

Q. Did they determine -- make a determination on the reasonableness of stated income for 100% of the loans?

A. In instances where the due diligence was done on 100% of the loans, I believe it was within the scope of the third-party due diligence review to review the stated income for reasonableness.

Q. Which bulk approved sellers

M. HAGGERTY

agreed in the 2000 -- let's say 2006, what bulk approved seller agreed to allow Bear Stearns to conduct due diligence on 100% of the loan pool?

A. I am trying to think of names. The subprime originator -- an example that comes to mind, and I am not 100% sure of this recollection, we can go back and check the record, but an example that comes to mind is Quick Loan Funding.

Q. Any others?

A. I am sorry, I don't have a command of the names of all the originators at this point as I sit here today.

Q. What about Countrywide?

A. I believe it would be unusual to do 100% review of Countrywide.

Q. How about Wells Fargo?

A. I believe it would be unusual to do 100% review of Countrywide. Sorry, of Wells Fargo.

Q. How about IndyMac?

A. If IndyMac showed a small package of subprime loans, I believe we would have

M. HAGGERTY

loans, that was completed within the 30- to 45-day time period between the bid and the settlement date?

A. That's correct.

Q. And that was done by third-party due diligence firms?

A. Yes. I think at one point in the process, we may have taken some of the smaller bulks in-house and reviewed them in the flow conduit operation of EMC. We may have done that. That's ringing a bell. But typically, it was done by the third-party due diligence firms.

I think there were some instances where we may have done some due diligence post closing. I can't tell you again with specificity which transactions. I just recall that that may have been done from time to time.

Q. What's the difference between pre-closing and post-closing due diligence?

A. The term "closing" in this context, I just mean the settlement date. So as I said, typically, we completed all of the

M. HAGGERTY

due diligence prior to settlement. I think in some instances, we may have purchased loans and settled on them and then completed the diligence after.

Q. So any diligence conducted after the settlement date would be post-closing due diligence, correct?

A. In the context of what we are discussing right now, yes.

Q. How long was it between settlement date and the securitization of the loans into an offering?

A. That varied based on market conditions. It also varied based on the schedule for transferring the servicing from the seller to EMC. And there was a period of time at EMC where we said we would not securitize until after the servicing had been transferred.

So the process of transferring servicing requires at least 15-day notice to the borrower. It is called a 15-day RESPA letter, where you give the borrower notice that the servicing is going to transfer. So

M. HAGGERTY

I would say that servicing would transfer anywhere between 30 to 60 days after the settlement date, then could securitize after that.

And I would also say from time to time exceptions may have been made to that rule.

Q. You indicated that Bear Stearns' policy was that if the sample came back with exceptions in excess of 3%, the sample would be expanded; is that correct?

A. That was the practice during that time. And to be clearer about it, you know, as we have described, we had three levels of due diligence: compliance, the file review to the underwriting guidelines, and the data integrity. So if you had a mistake in 3% of the note rates, for example, you would expand the sample.

So the percentage of error kind of came to the -- at the loan attribute rate, or level, I should say. If you had 3% error rate in underwriting guidelines not being conformed to, you would expand the sample,

M. HAGGERTY

and if you had a 3% error rate in a compliance issue, you would expand the sample, in each case most likely with respect to whatever attribute tripped the 3%.

Q. If you found that 3% or more of the loans did not conform to the stated underwriting guidelines, why would you expand the sample?

A. The samples were partially adversely selected and partially randomly selected. So you had to first look and see what the breakout between the exceptions were between adverse and random.

But you would expand it to see on the random part, to see if you just happened to find a couple of outliers that were not really representative of what the seller had done. So you would expand the sample to see if you were continuing to see that 3 or 4% error rate or if you somehow just happened to happen upon the few loans that had an issue, and as you expanded it, you found that the rest of the loans were in compliance.

Q. Was 3% enough to cause concern

M. HAGGERTY

that you needed to expand the sample?
A. That was our practice at the time.
Q. Did it cause you concern among Bear Stearns if in excess of 3% did not conform to the stated guidelines?
A. As I said, it was our practice at the time, if we tripped 3%, to expand the sample and look at more loans.
Q. How would you expand the sample?
A. I believe the due diligence manager would look at the list of the loans that were not sampled and pick another random sample, and I don't remember exactly how many more we would test. I would have to go back and try to find that. I do not recall it as I sit here today.
Q. He would have to get approval from the seller, correct?
A. Yes, that's right. And the commitment letters that I described earlier typically describe that we would do loan-level due diligence on the files. And I believe that they had a provision that

M. HAGGERTY

explained to the seller that if the due diligence was unsatisfactory, we might seek to do more. In the instances where we were doing a sample.

Q. But even in that instance, you had to get approval from the seller to expand the sample, correct?

A. You know, I think that's a question, right? If they said I don't want you to do any more loans, then I think you have a broken trade. And then you are kind of getting into a legal discussion.

Q. I understand that, but you couldn't go and sample and expand the sample without their approval?

A. They control the loan files, that's correct.

Q. And would there be -- how would the deal manager communicate the request for an expanded sample to the seller?

A. I don't know with specificity. Based on my general knowledge from having worked there, I believe they would have called them on the phone.

M. HAGGERTY

Q. There would be no written documentation of the request for an expanded sample?

A. There may or may not have been. If the request was accepted, a loan list would have been communicated, most typically by E-mail.

Q. Have you seen any e-mails within Bear Stearns or EMC requesting an expanded sample?

A. As I sit here today, I can't recall one specifically. I remember a transaction we did on some seasoned collateral with Bank One where we had to expand the sample, and I remember that. But away from that, that's the only recollection I have as I sit here today.

Q. Did you ever extrapolate the results of the sample to the entire pool?

A. What do you mean by that?

Q. Did you -- if you had in excess of 3% of loans in your sample that did not conform to the stated guidelines, did you ever extrapolate those results to the

M. HAGGERTY

remaining pool? For example, if 3% of the sample doesn't conform, it is likely that 3% of the remaining portion of the pool does not conform?

A. As I said earlier, if we tripped the 3%, what my belief is typically would occur is that the sample would be expanded. More loans would be looked at, until the aggregate exception rate was less than 3%.

Q. Did you ever disclose to investors in the certificates the percentage of loans from the sample that did not conform to underwriting guidelines?

A. The -- in the proprietary business, in other words, in the instances where Bear Stearns was securitizing loans that it had purchased from one of its affiliates, there was not a connection between the up-front due diligence and -- typically not -- and what went through to the securitization. So loans in a particular pool may have ended up in different securitizations. So in that instance, certainly not.

M. HAGGERTY

what they were asking.

A. I have finished reading.

Q. Those questions and answers were with respect to due diligence performed on mortgages generated by Bear Stearns Residential Mortgage Funding, correct?

A. They were questions with respect to third-party due diligence performed on Bear Res loans, yes.

Q. And at one point in time, Clayton was brought in to perform due diligence for those mortgages, correct?

A. Yes.

Q. And then at some point in time, you no longer used Clayton to conduct due diligence; is that correct?

A. Correct.

Q. And at that point in time, after Clayton departed, Bear Stearns did not conduct due diligence on those loans; is that correct?

A. At that point, Bear Stearns did not engage third-party due diligence providers to conduct due diligence. The view

M. HAGGERTY

was that a Bear Stearns entity was originating those loans, and the act of origination includes a due diligence review.

Q. The due diligence review was part of the origination process at that point in time?

A. Yes.

Q. Correct?

A. Yes.

Q. Do you have, sitting here today -- and during your interview at the FCIC, you couldn't place a time on when the Clayton folks departed?

A. That's right.

Q. As you sit here today, do you have any recollection of when they departed?

A. As I sit here today, I do not.

Q. Does this testimony that you read accurately -- or the transcript of the interview accurately reflect your recollection of the interview and your responses?

A. I don't recall the interview and my responses in that level of detail. But

M. HAGGERTY

from Mr. Krebs, and you can read through line 25.

A. Okay. Starting on page 104, reading from line three.

"Miss Haggerty: We saw an increase in the volume in general, and with that came an increase in the number of early default payments. Part of the quality control review that was done that I described and then some of the reasons that things were put back is things that we learned. And so in response to learning those things, we tried to implement procedures before we bought the loans to detect those types of problems and avoid them.

"So one of the things that we did is, we did a newsletter to all our sellers to point out some of these things that we had seen, like misrepresentation of occupancy. Like the undisclosed debts. Because the originator is obviously much closer to the situation.

"Mr. Krebs: Yeah.

"Miss Haggerty: And should

M. HAGGERTY

undertake procedures to prevent these types of things from happening."

Q. Was this response to the FCIC truthful at the time you provided it?

A. As I have said earlier, yes.

Q. If you continue, and feel free to read -- I am not going to have a question on page 105. My next question is going to be on page 106, but in order to give you the context, please read page 105 and on to page 106. Beginning at line nine, Mr. Krebs asks you, "Can you tell us the approximate time that you began to see it."

A. Sorry, where did you want me to read to?

Q. Up to the question starting on line nine of page 106.

A. Oh, okay. Yes.

Q. And starting on line nine on page 106, Mr. Krebs asks, "Can you tell us the approximate time that you began to see it. And it all -- it may have been gradual, but what period of time would this -- this have been when you began to notice these

M. HAGGERTY

changes?"

And then can you please read your response on page 106, starting at line 15.

A. Starting at line 15, my response says, "I don't recall specifically, but I -- if I had to, I would say certainly in 2006 timeframe. Exactly when, I can't tell you, sitting here today. May have been before."

Q. Was this an accurate response when you provided it to the government?

A. Yes.

Q. Did Bear Stearns disclose to Dexia that in the 2006 timeframe and maybe even before it had become aware and concerned with the quality of loans that it was seeing?

A. Can you repeat that question, please.

Q. Did Bear Stearns disclose to Dexia that in the 2006 timeframe and maybe before it had become concerned with the quality of loans that it was seeing?

A. As I sit here today, I don't know one way or the other what Bear Stearns disclosed to Dexia. I believe Dexia received

M. HAGGERTY

in the context of someone that is making the loan initially.

So I would just like to make that clarifying point. We can agree on that definition.

Q. So for the purposes of discussing the due diligence with respect to the flow conduit, to the extent we talk about underwriters, we are referring to the internal terminology of those underwriters being the due diligence personnel?

A. That's correct.

Q. Fair?

A. Yes.

Q. Understood.

A. Yes. Now, I lost track of your question. So could you please repeat it.

Q. Were the EMC underwriters in Texas placed into separate color-coded teams?

A. I have a recollection from different -- preparation for different depositions that I have done that at certain points in time, yes, they were placed into color-coded teams.

M. HAGGERTY

Q. Do you recall a blue team?

A. I recall an orange and a white team. I don't recall a blue team.

Q. Do you recall a yellow team?

A. As I sit here today, I do not.

Q. Do you recall a pink team?

A. As I sit here today, I do not. If you have documentation as to that, I am sure I can take a look at it.

Q. Did you prepare -- in preparation for your testimony today as a corporate designee, did you conduct any -- look at any documents or talk to anyone regarding the color-coded teams in the flow conduit?

A. No.

Q. Were the different color-coded teams assigned different sellers?

A. My general recollection is that was the case. Although I am not 100% sure.

Q. And were they --

A. But I think that would be in the record.

Q. As you sit here today, as the corporate witness for the company, were the

color-coded teams assigned to different sellers?

A. As I sit here today, that's what I recall to the best of my recollection.

Q. And were the color-coded teams assigned to different sellers based on the tiering of the sellers?

A. That -- that sounds familiar. As I sit here today, I am not 100% sure.

Q. And were certain tiers of sellers entitled to more streamlined due diligence procedures?

A. My recollection is as time went on, one particular seller that I can recall switched its due diligence protocol from looking at 100% of the loans to a sample.

Q. Who was that?

A. My recollection is that it was Pulte Mortgage.

Q. Was one of the color-coded teams only required to simply check whether or not the loan files contained the required closing documentation?

A. I don't remember one way or the

M. HAGGERTY

other at this moment in time.

Q. Was there a team of underwriters -- let me start over.

Was there a color-coded team of underwriters that was assigned solely to small sellers that EMC had no prior history with?

A. I don't remember specifically. But that sounds familiar.

Q. Was there another team that was dedicated to sellers who had the ability and financial wherewithal to repurchase defective loans?

A. I don't recall one way or the other.

Q. Who would know this?

A. It is possible it is documented in E-mails or in the firm's record. Jo Whitlock may recall that.

Q. Where is Jo currently?

A. I don't know.

Q. When is the last time you talked to Miss Whitlock?

A. I don't remember.

M. HAGGERTY

Q. And you didn't look through any of the firm's records in preparation of the deposition today on this issue, did you?

A. I did not.

Q. Was there another color-coded team that was assigned to loans submitted by sellers with known problems?

A. I don't recall that one way or the other.

Q. Did EMC's policy on the due diligence in the flow conduit require approval from an underwriting supervisor in order for an underwriter to decline it for purchase?

A. I don't know one way or the other. And that may have -- that practice may have changed over time. I don't know as I sit here today.

Q. Were EMC's conduit flow policies documented?

A. I believe that from time to time, procedures were documented. I don't know that EMC had policies per se. But I believe from time to time, procedures were

M. HAGGERTY

documented. I believe they changed over time.

Q. As you sit here today, as the corporate designee on behalf of the company, do you know whether or not there was a policy that required approval of a supervisor in order for an underwriter to decline a loan?

A. I do not know.

Q. Was there a policy that allowed an underwriter to accept a loan for purchase without supervisor approval?

A. I don't know one way or the other.

Q. If you wanted to know that, who would you ask?

A. I would also ask Jo Whitlock.

Q. If you wanted to find the documentation, where would you look?

A. I would look in her E-mail records, and I would look in whatever electronic records she had associated with her.

Q. Did EMC train its underwriters in the context of the flow conduit due

M. HAGGERTY

diligence?

A. It is my general recollection that they did, yes.

Q. Was it a formal training program?

A. I don't have any detail on it as I sit here today.

Q. Is it possible there was no training program?

A. I don't think so.

Q. You don't think so; you're not sure, though?

A. Correct.

Q. So as you sit here today on behalf of the corporation, you're not sure whether or not there was training for the underwriters that performed due diligence, correct?

A. I think you asked me if it was possible there was no training program, and I said I didn't -- I guess I said I didn't think it was possible that there wasn't any. I believe that the underwriters or everybody that went to work there received some sort of training. I don't know the degree of

M. HAGGERTY

training or how formal it was.

Q. Or how long it was?

A. Correct.

Q. Who would you ask if you wanted to know the answers to that?

A. I would ask Jo Whitlock.

Q. Have you ever seen a document outlining the training program for underwriters in the flow conduit?

A. Not that I recall, no.

Q. Did you ever draft any such training program?

A. I did not personally.

Q. Did you ever -- sorry.

A. I did not personally, no.

Q. Did you ever review any such training program?

A. Not that I recall, no.

Q. How many loans did -- were the underwriters in Texas required to review per day?

A. I don't know that they had a minimum requirement one way or the other.

Q. Did EMC pressure them to review a

M. HAGGERTY

high volume of loans on a daily basis?

A. I don't know one way or the other as I sit here today. I just don't recall. I don't believe so. But, you know, I only know what I know.

Q. Did you ever go to the facilities in Texas and monitor the due diligence being conducted?

A. I visited the facilities in Texas and met with Jo Whitlock and certain of her staff. But I would not say I monitored what the individual reviewers were doing, no.

Q. That was Jo's responsibility?

A. Yes.

Q. Were their directives to not check third-party sources, for example, salary.com, with respect to stated income loans?

A. I don't believe there was any directive to not check salary.com, unless for some reason someone felt that it was not a reliable source. So I don't know one way or the other.

Q. If you wanted to know that, you

M. HAGGERTY

would ask Jo?

A. I would.

Q. Did Jo have complete control over the due diligence process in Texas?

A. Jo had conference calls and discussions from time to time with Pattie Sears and John Mongelluzzo, who managed the third-party due diligence process, and I believe they exchanged -- or I believe they discussed the process itself and what the protocols were. I have a recollection of that.

Also, there was a quality control department at EMC that would speak to Jo and give feedback from what was found in quality control. So I think she had feedback from those two sources as well.

But in terms of managing the process and what was done, that was her responsibility.

Q. Who did Jo report to?

A. She reported to Sherri Lauritsen and David Hamilton for some of the period. She reported to me for some of the period.

M. HAGGERTY

She reported to Leslie Foster for some of the period. She reported to John Vella for some of the period.

Q. During the time that she reported to you, did you ever question her regarding the due diligence process being undertaken in Texas?

A. I don't remember specifically the time period when she reported to me. I remember having conversations with her about using certain tools, like AppIntell, DISSCO or ValVerify. I remember having general conversations about the scope of the due diligence review, and, you know, as we understood it, being performed by third parties. In other words, to make sure it covered the three aspects that I described earlier: data integrity, underwriting compliance and a compliance review.

Q. Was the due diligence conducted in the flow conduit on 100% of the loans?

A. It started out that way, and then it started to vary depending on the seller. There was a channel called mini bulk that was

M. HAGGERTY

exclusively loans from Waterfield Mortgage. That was not the flow conduit, but it was processed in that operation, and I believe that was a post-closing sample due diligence review.

Q. So in a post-closing sample due diligence review, there would be no diligence done prior to closing, correct?

A. I will be more clearer. Post purchase. Post settlement of purchase. So the way Waterfield Mortgage worked, and Waterfield Mortgage was a wholly owned subsidiary of Union Federal Bank of Indianapolis, is that Waterfield would close the loans and deliver them to EMC, and then EMC would pay Waterfield for the loans. They would settle the transaction, and then on a sample basis the loans would be looked at after that settlement.

Q. Then what would be done with the results of the sample?

A. It would be reviewed by, I believe it was the transaction manager for that, Biff Rogers. And I don't have specific

M. HAGGERTY

recollection of what would happen with that.

Q. Would they expand the sample size?

A. If there were enough defects, that I believe they would do that, that was the understanding of what would happen. But as I sit here today, I can't tell you precisely what happened with that.

Q. Is there any documentation that would express what they are supposed to do in the flow conduit on post-closing due diligence of a sample?

A. Well, this was what we called mini bulk, so it was a separate channel from the flow conduit. I don't know whether or not there is written documentation. We set up that arrangement in, I believe, 2002.

Q. Did EMC permit a deviation of up to 10% from the DTI, LTV and CLTV ratios?

A. I am not -- that's a very broad question. Can you make it more specific?

Q. I am not sure it's that broad.

Did EMC have a policy where they permitted a deviation of up to 10% from the

M. HAGGERTY

stated guidelines for the DTI, LTV and CLTV requirements?

A. So to make sure I understand, so you are asking, if the requirement for the rest of the loan was to have a maximum DTI of 40%, and are you asking me that without any other compensating factors, was there a policy to make it -- allow it to be 44%?

Q. Correct.

A. I have no recollection of that policy.

Q. But EMC did permit deviation from those percentages provided there were compensating factors, correct?

A. My understanding and recollection is that as a general business matter, exceptions to guidelines could be evaluated in light of compensating factors, yes.

Q. That would include deviations from the DTI, CLTV and LTV ratios, correct?

A. It could.

Q. And can you look at Exhibits 141 through 143. Those were the E-mails that we previously looked at from you to Jo Whitlock.

M. HAGGERTY

And my only question is, looking at those three E-mails, does that refresh your recollection as to the timing of when Jo reported to you?

A. It does not.

Q. Those E-mails were in early 2006. Do you recall that?

A. That's what it says on the E-mails.

Q. But that doesn't refresh your recollection that she reported to you at that time?

A. It is correct, it does not reflect -- refresh my recollection as to whether or not she reported to me at that time.

Q. What was Jo Whitlock's background?

A. I believe that she had worked at Fannie Mae, and I believe she had worked at Wells Fargo, and I believe her background was in mortgage loan underwriting.

Q. Had she -- did she have any experience in due diligence prior to her

M. HAGGERTY

employment at Bear Stearns, or EMC, I should say?

A. As I sit here today, I don't recall one way or the other.

Q. I am going to hand you what I have marked as Exhibit 149.

(Whereupon, a document, DEX DEP00025180-'186 was marked as Plaintiff's Exhibit 149 for identification as of this date by the Reporter.)

Q. Exhibit 149 is a multiple-page document bearing Bates Number DEX DEP00025180 through '5186.

Miss Haggerty, I will give you a moment to review the document. My first question is, do you recognize this document?

Do you recognize this document?

A. I do not recognize this document.

Q. Are these EMC's bulk procedures as of May 17, 2006?

A. This appears to be something created by Joe Carrion that outlines the bulk procedures at this point in time. March 1st,

M. HAGGERTY

'06, is when -- the date on this. Although, page 4.0.1 says 4/30/05. But then the other pages say 3/1/06.

And certainly the description of what's written here seems familiar to me, with how the business was done at that time. This is a set of procedures that he wrote and distributed. Whether it is the procedures, I can't tell you. But it certainly looks consistent with how I knew the business operated at that time.

Q. So these procedures contained within this document are consistent with your understanding of what the procedures were as of March 1st, 2006?

A. Not with specificity to the date. You know, and for example, there is a reference to getting automated collateral values from Hansen Quality. That was something that I know happened later in the business rather than earlier. So it makes sense to me that that was present in the '06 timeframe.

But, again, it is difficult to

M. HAGGERTY

match the exact processes with a date and time like that.

Q. Were the --

A. Seem reasonable, though.

Q. Okay. And the document refers to procedures, and your testimony referred to processes, and I am just curious if you are making a distinction between the two.

A. I am not making a distinction between process versus procedure.

Q. If you turn to the page that's numbered 4.1.1.

A. Yes.

Q. The very top says, "Bulk trades require that an outsourced vendor perform due diligence reviews of loans being considered for purchase."

Do you see that?

A. I do.

Q. Does that refer to the fact that bulk trades require the third-party due diligence firm?

A. Well, I am a little surprised at the use of the term "require," because I

think that if a bulk purchase of ten loans came in to EMC, we would be very happy for Joe Carrion to review them. So the use of the word "require" seems a little strong to me.

I think what this is referring to is, as a normal course of business, bulk loan due diligences were performed by Clayton and Watterson Prime.

Q. And the next sentence starts with "The sample selection, coordination of file review and final loan purchase decision is handled by an EMC representative in the following manner."

Do you see that?

A. I do.

Q. And does that indicate that the bulk trades were reviewed based on a sample?

A. Sample selection could be 100% if that was the sample selection. But, yeah, it is certainly talking about sample selection. But I don't think that's saying that all of the bulk trades handled at EMC were samples. I would take that to mean sample selection if

M. HAGGERTY

applicable.

Q. It does not say "if applicable."

A. It does not, but this is Joe Carrion.

Q. And is there something --

A. It's not drafted by a lawyer.

Q. Who is Joe Carrion?

A. Joe Carrion was somebody responsible for due diligence reviews in-house at EMC. You see it says subprime or underwriting manager. He originally was brought on to be the specialist doing due diligence reviews pre-purchase on subprime loans sourced in the flow business. As it turned out, we did not source much product, much subprime product in the flow business, so we used him to work on bulk transaction due diligence coordination.

Q. So this is the area that he worked in?

A. Yes.

Q. If you turn to the next page under -- I am going to call the column on the left by the number seven, if you see the very

M. HAGGERTY

left-hand column in the chart.

A. We are on Page 4.1.2?

Q. Exactly.

A. Okay.

Q. And number seven says "bulk underwriter." Do you see that?

A. Yes.

Q. Was the bulk underwriter responsible for making the sample selection?

A. Before we get to that, I am just going to point you to sample selections of less than 100%.

Q. Correct?

A. That to me says he is counting his sample selection of 100%. Right? He is making the distinction that you are going to select a sample if it is less than 100% sample. So I think that goes to the point you were making before.

Q. Was the bulk underwriter -- I will start over.

Was the bulk underwriter the individual who made the determination or selected the sample?

M. HAGGERTY

A. The way I think about it is that the Pattie Sears role or John Mongelluzzo role would have selected the sample. So to the extent that's what they mean here by "bulk underwriter," which I assume they do, then yes.

Q. If you turn to the next page, under 12, it talks about the due diligence firm. Do you see that?

A. Yes.

Q. If you look at the last two sentences, it says, "The bulk underwriter must also review the potential number of drops the moment the final report is submitted on all sample selections, and should there be greater than 3% drop rate, the deal manager should be informed and recommend the sample selection be increased."

Do you see that?

A. I do.

Q. Is that consistent with your earlier testimony regarding the procedure if greater than 3% of the drop rate -- if there is a greater than 3% drop rate from the

M. HAGGERTY

sample?

A. It is.

Q. Did you understand that question?

A. I did. Did you?

Q. Let me rephrase it.

This is consistent with your prior testimony that should there be greater than a 3% drop rate from the sample, that the deal manager should recommend the sample selection be increased, correct?

A. It generally is consistent. I think what I said was that the sample, not should be, but is expanded. So that the use of the word "should be" is a little troubling here. But I think it is relatively consistent with the notion.

Q. Again, this would have to be approved by the seller, correct?

A. Yes. You know, in the most practical sense of the term, yes. But if the seller didn't approve it, we can take a view that you violated the terms of our commitment letter and we are not going to settle and you owe us a tear-up fee.

M. HAGGERTY

Q. As you sit here today, as the corporate designee of Bear Stearns, do you know of a pool of loans that Bear Stearns refused to purchase between 2005 and 2007 because the seller refused to increase the sample size?

A. As I sit here today, I cannot identify any pool like that.

Q. If you turn to the next page under the heading 20. Do you see that?

A. Yes.

Q. It says, "Once the due diligence is 'tied out' with the seller, the final underwriting report is created and a copy is sent to the deal manager and the seller."

Do you see that?

A. Yes.

Q. Was that part of the procedures?

A. It is my understanding that the results of the due diligence is shared with the seller, and you tie out on a final universe, yes.

Q. Were the underwriting reports shared with anyone else?

M. HAGGERTY

A. I don't believe so, no.

Q. It says, "The report should include a brief summary listing drops, side letter items, if any, and purchased loans."

Do you see that?

A. Yes.

Q. What side letter items would there be?

A. My understanding of what side letter items means is items of documentation that we would like to have in the loan file that we would allow the seller to deliver after we settle the purchase.

Q. And it continues, "The bulk underwriter has the responsibility for purging all of the older reports on the trade, leaving only the final reports."

Do you see that?

A. Yes.

Q. And was that the EMC policy at the time?

A. I don't know if it was a policy so much as the practice that's described here. It would make sense to me, though,

M. HAGGERTY

because when you read through all the other processes or procedures here, you have an initial report that might list some exceptions that subsequently get cleared because the seller is providing additional information.

So once that additional information is received and the exception is cleared, you are going to have a final report. So it would make sense to me that -- in the avoidance of confusion, to just retain the final report in the record.

Q. But just so I am clear, EMC did purge the older reports?

A. I don't know whether or not they did. I read the words here, but I don't know whether or not they did.

Q. But that was the practice, to do so, correct?

A. Again, I can't tell you. It looks like Joe Carrion thinks it was.

Q. According to this report, which you testified adequately displayed what the procedures or process were, that the bulk

M. HAGGERTY

underwriter has the responsibility for purging all of the older reports on the trade, leaving only the final reports, correct?

A. I think I said that I thought the process looked consistent with what I knew, and with respect to this particular item, I don't know whether or not that practice was followed at EMC.

Q. Have you seen any of the older reports?

A. I have seen the individual asset summaries from time to time. I don't believe I have seen full reports from the third-party due diligence firms. I may have. But all I really recall is having seen particular asset summaries.

Q. The older reports would include communications between EMC and the due diligence -- third-party due diligence firm regarding exceptions, correct?

A. My sense of what the older reports would be would be, yes, to show what the exceptions were, and to the extent that

M. HAGGERTY

exception gets cleared, a new report would be generated to show that the loan was now cleared and correct, or whatever the defect was, was no longer in existence.

Q. But because those reports have been purged, we don't know why, correct?

A. I don't know whether or not they were. I agree with you that it says here that the bulk underwriter has that responsibility. Whether or not that happened in practice, I can't tell you.

Q. As the corporate designee for the company, sitting here today, do you know whether or not those reports were purged?

A. Sitting here today, I do not know whether or not those reports were purged.

Q. Did you ask in preparation for this deposition whether or not those reports were in fact saved?

A. I did not.

Q. Did you ask to see any of those reports?

A. I did not.

MR. DeLANGE: Let's take a short

M. HAGGERTY

break.

THE WITNESS: Great. Thank you.

THE VIDEOGRAPHER: The time is 2:26 p.m., and this completes tape number three of the videotaped deposition of Miss Mary Haggerty.

(Whereupon, a recess was held.)

THE VIDEOGRAPHER: The time is 2:39 p.m., and this begins tape number four of the video deposition of Miss Mary Haggerty.

BY MR. DeLANGE:

Q. Miss Haggerty, I have handed you a document that I have marked as Exhibit 150. It is a two-page document with Bates Number DEX DEP00020258 through '259.

I will give you a moment to review it and ask if you recognize this document.

(Whereupon, a document, DEX DEP00020258-'259, was marked as Plaintiff's Exhibit 150 for identification as of this date by the Reporter.)

M. HAGGERTY

A. Okay.

Q. Do you recognize this document?

A. Not per se. But I have seen the E-mail, the John Mongelluzzo E-mail before.

Q. The original E-mail on the bottom of the page, correct?

A. Yes, in preparation for other testimony.

Q. And you are a cc on that E-mail, correct?

A. Yes.

Q. Did you review that E-mail -- that portion of the E-mail, did you review that yesterday in preparation for your deposition today?

A. It may have been yesterday. It may have been another time. I know I have seen this before.

Q. Do you recall receiving this E-mail in or around February 11th of 2005?

A. I do not.

Q. Did you have regular E-mail communications with Mr. Mongelluzzo in February of 2005 in the course of your

M. HAGGERTY

business at Bear Stearns?

A. Yes. Less so than other people, but yes.

Q. Do you have any reason to doubt that you did not receive the bottom portion of this E-mail from Mr. Mongelluzzo?

A. I have no reason to doubt that I received this E-mail.

Q. The E-mail starts -- and I am looking at the first E-mail that starts at the bottom of the page. It starts, "Mary informed us today."

A. Yes.

Q. Do you understand that to be referring to you?

A. I do.

Q. Who is Chris Scott?

A. Chris Scott was the trader that was responsible for bidding subprime bulk packages.

Q. Was there anyone else responsible for that?

A. No.

Q. So all subprime bulk packages

were bid by Chris Scott at this time?

A. That's correct. I assume that from time to time, if he was on vacation or out sick, somebody else may have. But my best recollection was that it was solely Chris.

Q. Do you recall Chris Scott making a decision to reduce the amount of required due diligence with the larger subprime sellers?

A. I don't recall any specific transaction. Although, my general market knowledge makes me understand that New Century was an example of a large bulk seller that I was aware of that was requiring people they sold to, to do less than 100% due diligence.

It is possible other large sellers -- one that comes to mind is Fremont, might also be someone that did that, but it is interesting when you read John's E-mail, because he makes it very clear that it is a 25% credit review, but the compliance review and appraisal review seems to be still at

M. HAGGERTY

100%.

Q. That's what the E-mail indicates, correct?

A. That's what the E-mail indicates here. And then he also goes on to make the point that we need to track the loans in WITS, and he believes that -- at least he says in this E-mail, "We will in all likelihood put the loan in different shelves based on the types of due diligence done." Which indicates to me something that makes sense, that if it is a larger bulk originator, sometimes you would do stand-alone deals with just their collateral.

So, again, I think we have to look at the record to see if we ever did any like these and trace through where the loans went. But that sort of makes sense to me. If you are going to buy 500 million from Fremont and do 100% compliance and 100% appraisal but scale it back to 25% credit, that would go into a Fremont deal, or maybe it is off our shelf but with the designation of Fremont.

M. HAGGERTY

And, again, my understanding of any situation where we have -- where we have a sample is that if we tripped the 3% -- 3% error rate on the underwriting review, we would expand it.

Q. Where in the E-mail does it say that they would continue the 100% appraisal review?

A. My interpretation of the sentence that says -- it starts with "100% compliance review."

Q. I see that.

A. "And continue to perform the same real estate methodology for the entire pool." So I am interpreting "real estate methodology" to be the appraisal due diligence. And for the entire pool to mean 100%.

Q. What was the -- what was the real estate methodology?

A. My general recollection from this time period was that with respect to subprime loans, we did extra due diligence on the appraisal. At one period of time, we ordered

M. HAGGERTY

broker's price opinions of value on each of the properties. At other periods of time, we maybe used automated valuation calculations in conjunction with drive-by appraisals.

But there was more than what I would call up to that time a normal file on its face review of the appraisal, was done with respect to subprime loans.

Q. Why did you do extra due diligence on the appraisals in the subprime arena?

A. That was very much what the industry was doing at that point, and I believe that was based on a concern about property value in subprime. Subprime by its very nature tends to be more of a debt consolidation refinance type transaction. So you don't have a property put out and listed like you do in a purchase money transaction.

So as a general matter, refinance transactions with cash out, which is what these debt consolidation subprime loans really are, tend to be thought of as riskier in terms of the value. So I think that that

M. HAGGERTY

was the business reasoning at that time for doing extra work on subprime.

Q. And that business reasoning was a business reasoning within the industry; is that correct?

A. Yes.

Q. And Bear Stearns followed that industry reasoning?

A. Correct.

Q. Did Chris Scott communicate directly to you his decision to reduce the amount of required due diligence with the larger subprime sellers at this time?

A. First of all, you see here it says it will be done on a trade-by-trade basis. So again, we don't know from reading this whether or not we ever did any trades like that.

I can only infer from what's written here that Chris informed me of -- Mongelluzzo is saying I informed him what Chris said. That's the best I can do.

Q. But you don't -- and what I am trying to get at is your recollection.

M. HAGGERTY

A. I don't know --

Q. And my recollection is -- or my recollection, I don't have a recollection of this E-mail, by the way.

My question, what I am trying to find is, are you interpreting the E-mail as you read it today or do you have a recollection of the conversation with Mr. Scott wherein he told you of this decision?

A. I am interpreting the E-mail. I do not have a recollection of the conversation with Chris Scott.

Q. Was Chris Scott in New York?

A. Yes.

Q. Was he on the same floor as you?

A. No. Chris Scott was on the trading floor, on the seventh floor. And I was either on the 11th floor or the 28th floor at different times.

Q. Did you have any conversations with Mr. Scott regarding the need to be more competitive in the market?

A. No.

M. HAGGERTY

Q. But Mr. Scott would be the person who would know that since he was the one responsible for bidding on the bulk purchases, correct?

A. Yes.

Q. Was your competition in the market performing less due diligence than Bear Stearns at this time?

A. I am not sure one way or the other. I have a general recollection that some of the others, in particular, Morgan Stanley, did less than 100% due diligence on New Century. But away from that -- and it is a vague recollection. I don't have any other direct recollection, and that's a personal recollection. That's nothing that would be in the corporate record.

Q. Miss Haggerty, I am handing you a document that I have marked as 151.

(Whereupon, a document, DEX DEP00022296-'2300, was marked as Plaintiff's Exhibit 151 for identification as of this date by the Reporter.)

M. HAGGERTY

Q. And Exhibit 151 is a multi-page document bearing Bates Number DEX DEP00022296 through '2300. I will also note, Miss Haggerty, that this appears to have been marked as an exhibit in one of your prior depositions. You may see the sticker in the bottom right-hand corner.

A. I have taken a quick look at it.

Q. Do you recognize this document?

A. I don't recognize this document.

Q. You see on the front page, you are cc'd on an E-mail from Jo-Karen Whitlock to Mr. Verschleiser on October 17, 2005?

A. I see that.

Q. And the subject line is "Forward Tiered Sellers." Do you see that?

A. I do.

Q. Do you have any reason to doubt that you did not receive this E-mail from Miss Whitlock in October of 2005?

A. I don't have any reason to doubt that I received this E-mail.

Q. Did EMC have a list of tiers for its sellers?

M. HAGGERTY

A. When I look at the schedule, and I see the names and "streamline" and "post" and "yes" and "no," it is bringing to mind that with respect to the flow business, I think I testified to this earlier, is that over time, we made some changes to the due diligence review in the flow conduit for certain flow sellers. And if you recall, I gave Pulte Mortgage as an example, and we see Pulte here as the second item under "Currently streamline, post, reduced review, forward comm, no."

So this brings to mind that discussion.

Q. And does it refresh your recollection that there was a list of tiers for the sellers at EMC?

A. It does.

Q. And was there a reduced diligence based on the tier of the seller?

A. It refreshes my recollection that there were different due diligence methodologies. When we say reduced, I think that I would characterize it as sample versus

M. HAGGERTY

100% rather than reduced.

Q. This may answer my question. I was going to have you turn to the page ending in Bates number '299. You were just referring to where it had "post" and "reduced review"?

A. Yes.

Q. And my question was, what does "reduced review" mean?

A. I don't know as I sit here today looking at this document. My sense is that it referred to a sample methodology, which would make sense to me based on what I know of the business we were doing.

SunTrust, for example, my recollection is they sold us a lot of second liens through the flow conduit, and if SunTrust had shown us a bulk package of second liens, we most surely would have done a sampling. So it makes sense to me those sellers listed there would have gone to a sample review.

Q. And would that be for all the sellers with a one under "Reduced Review"?

M. HAGGERTY

A. I am not entirely sure. It's possible, but I don't want to say. I don't know for sure.

Q. And what does "post" mean under the "Currently Streamline" heading?

A. I don't know for sure. But based on my knowledge of what the business was at the time, that, to me, would mean that we did the sample due diligence or certainly a portion of the sample due diligence after we settled the purchase of the loan.

I think in preparation for some of my other depositions, I have seen better documentation on what the different due diligence protocols were in EMC flow, and I think that looking at that would be helpful in explaining it.

Q. Did you look at any of that documentation to prepare for your testimony today as the corporate designee of Bear Stearns?

A. I looked very briefly yesterday at a description of, I think it was "slim pack" and some other terminology like that,

M. HAGGERTY

and sitting here at this moment, I don't recall the distinctions.

Q. Internally at EMC there was a distinction between the due diligence performed based on the tiering of the sellers, correct?

A. I think over time it got there, and just by way of background, I think I said this earlier, the flow conduit started in 2002, and I don't recall exactly when we started buying loans from Pulte or SunTrust. But, you know, over time, my recollection is that the diligence results were quite good for Pulte, for example, and they did a large volume, and again, they had the financial wherewithal to buy any loans back that had any problems. They were a highly regarded seller and a Fannie Mae approved seller.

So I believe the thought process was, if they were aggregating and selling us bulk Alt-A, which is what they sold us, we would do a sample. So we translated that thought process and methodology to the flow channel, which really originally had not been

set up to do samples. It had been set up to review every single loan. Because the notion was that the flow channel was going to be used by smaller sellers that didn't really have the ability to hedge their position.

Q. Was that process of sampling within the flow channel documented anywhere?

A. As I sit here today, I can't tell you with certainty, although I believe I have seen descriptions of the -- of that in documents that I have reviewed for prior depositions.

Q. And that sampling would be done in-house, correct?

A. Yes.

Q. As opposed to sent -- being sent out to a third-party due diligence firm?

A. Oh, as I sit here today, I don't know the answer to that.

Q. I am going to hand you what I have marked as Exhibit 152. Exhibit 152 is a two-page document with Bates Number DEX DEP00022301 through '302.

(Whereupon, a document,

M. HAGGERTY

to Clayton during that quarter for review?

A. I don't have a specific viewpoint on that. Off the top of my head, that looks right. But, again, I don't know. I really would need to --

Q. So for the first quarter -- for the first quarter of 2006, 1555 plus 10,573 is roughly 12,000 loans, correct?

A. Right.

Q. Does that seem right? I am just asking your recollection. And does that seem like --

A. Yeah, I don't have a --

Q. -- you sent more than that to Clayton during that time period?

A. Sorry. I don't have a good recollection. It would be very useful to marry these up with the purchases in the bulk channel during that same period, and then it would be easier to understand if that seemed right or not.

I do recollect that the practice was to send Clayton the subprime loans, and the practice was to send Watterson Prime

Alt-A loans and not subprime. And I believe Clayton also got Alt-A.

Q. Do you see column E, on the second page it says "EV3"?

A. Yes.

Q. Do you have an understanding of what that means?

A. I believe that stands for event level three.

Q. What does that mean?

A. Event level three was a terminology used in connection with each of the compliance reviews that Clayton typically performed and the -- it was called the credit review, but what it really meant was a review of the documents in the loan file on their face to see if they conformed with the agreed-upon underwriting guidelines.

So event level three meant that the guidelines were out of compliance or there was a compliance issue subject -- such that the loan did not meet either the underwriting guidelines as stated or the compliance requirements as stated.

M. HAGGERTY

preparation for your deposition today?

A. No.

Q. Did you have any communications with anyone other than counsel regarding EMC's settlement policies with respect to early payment default claims with sellers in preparation for your deposition today?

A. No.

Q. Are you aware of EMC's practice to negotiate down bids rather than demand repurchase on loans that had suffered from early payment default?

A. As a general matter, yes.

Q. What's your familiarity with that?

A. My familiarity with what a down bid was, was that, as I have testified earlier, EMC had a separate line of business called the scratch-and-dent business. That business was in the business of buying defective mortgage loans, whether they are nonperforming or have some other sort of defect.

So my understanding of what a

M. HAGGERTY

down bid is, is that rather than have the seller have to repurchase a delinquent or defective mortgage loan and put it back on his warehouse line, where he may or may not have the opportunity to do that, he may or may not have room on his warehouse line, or sometimes the warehouse liner does not permit defective loans to be put on a warehouse line, instead, the EMC scratch-and-dent line of business offered to buy that loan from the seller at a reduced price.

So the EMC -- to give an example, let's say the purchase request was for 103% of the unpaid principal balance, which was the purchase price that EMC paid. Then the scratch-and-dent bid was 80. The scratch-and-dent desk pays 80, and the seller pays 23 points.

Q. And that 23 points goes to EMC, correct?

A. Yes. In that instance, EMC has the collateral to deliver to the scratch-and dent desk. That's right.

Q. I will hand you a document that I

M. HAGGERTY

A. In a general manner, yes.

Q. What does that mean?

A. My recollection is that means if you took a number of claims, whether they are for monetary or QC -- no, monetary or -- I guess it means that if you took a number of claims and put them together and settled for a percentage of the total claim amount.

Q. Did EMC negotiate bulk settlements with sellers in lieu of repurchase claims?

A. My understanding is that yes, EMC did that from time to time.

Q. And in the course of negotiating those bulk settlements, did EMC contribute the money to the trust?

A. My understanding is that there was -- when you securitize a loan, there are only certain ways that you can get the loan out of the trust to redeliver. So to the extent that a loan can be repurchased out of a trust, if there was a breach of the securitization representation and warranty that occurred, that was found.

M. HAGGERTY

holding Matt to a performance metric to get that accomplished.

Q. But if you look at the bottom E-mail, Matt is putting together the P&L summary for the group, correct?

A. Let's read the whole thing. The way that I interpret this -- and if you look at the date, it is in November of the year, which is getting close to year end, which it would be typical for people like Matt Perkins to start to put together their justification for discretionary bonus, maybe.

So as I interpret this, he is putting together a P&L summary for our group. P&L summary for him in this context means the underwriting fees the firm earned off the clients that he brought in structured deals for.

So then he goes on to say, "Just wondering, does the ARM desk show any P&L on this transaction?" It looks to me like he wants to get credit in his discretionary bonus for any P&L that his transactions brought, because he is saying it was done

M. HAGGERTY

with Impact whole loans we bought, which he is saying he structured and negotiated the purchase of.

So if we bought whole loans, that would have fallen into the proprietary book as opposed to the underwritten book. And since Matt had the relationship with Impact, he is making a plea here to get compensation for the revenue from that.

And then I interpret the rest of this as like, and I am also being a good guy to help out the firm with Bill Ashmore because of my relationship to get the EPD claims done.

So I view his E-mail to Tom is setting forth his justification for a discretionary bonus maybe.

Q. And part of his justification for a discretionary bonus payment is his involvement in putting the deal to market, correct?

A. With respect to the Impact whole loans, I think it is his acquisition of it. He says he has structured and negotiated the

M. HAGGERTY

purchase. When he says "structured," sometimes that could mean he structured the security. But in this context it looks like he structured and negotiated the purchase of the whole loans. So it is not clear.

Q. The discretionary bonus was tied in part to the P&L, correct?

A. On that particular transaction, he is asking for that. And typically, in his line of business, his P&L would just be underwriting fees.

Q. But that P&L, at least for him, was one factor in his discretionary bonus?

A. Yes.

Q. If you look at the top E-mail, from Mr. Marano, it says, "I want the Impact EPD cleaned up Thanksgiving. He knows that." What do you interpret "he knows that," the "he" to be referring to?

A. I certainly don't know with any level of certainty. I would interpret that to mean Bill Ashmore. And I believe that because I know Tom Marano had a good relationship with Bill Ashmore and spoke to

him from time to time.

Q. And Bill Ashmore was at Impact?

A. Correct.

Q. Did you have a relationship with Mr. Ashmore?

A. I had met him a couple of times. I did not know him well.

MR. SLIFKIN: Is this a good time for a break?

MR. DeLANGE: Go off the record.

THE VIDEOGRAPHER: The time is 4:03 p.m., and this concludes tape number four in the videotaped deposition of Miss Mary Haggerty.

(Whereupon, a recess was held.)

THE VIDEOGRAPHER: The time is 4:15 p.m., and this begins tape number five of the videotaped deposition of Miss Mary Haggerty.

BY MR. DeLANGE:

Q. Miss Haggerty, earlier you testified that you were interviewed by the SEC in approximately December of 2011?

A. Yes.

M. HAGGERTY

4:34 p.m., and we are off the record.

(Whereupon, an off-the-record discussion was held.)

THE VIDEOGRAPHER: The time is 4:35 p.m., and we are back on the record.

BY MR. DeLANGE:

Q. Miss Haggerty, if you can turn to the page ending in Bates number '909. It is entitled "Sold Residual Exposure."

Do you see that?

A. I do.

Q. What does "sold residual exposure" mean?

A. Give me a minute to take a look at this.

I am not familiar with this slide, so I can't tell you for sure what it means. But if you look at the table, it is a list of security names. I recognize those as deals issued by the Bear Stearns entity or Bear Stearns shelf.

And then there is a column that says "Percent Residual Owned." Looks like

M. HAGGERTY

they are all 100 except for the First Balta 2005-9, which is 67.

And then there is a claim exposure number, and I do not know what that refers to.

Q. If you turn to the document ending in Bates Number '912.

A. Yes.

Q. And this is resolved claims settlements. Do you see that?

A. I'm sorry, '912? I was on '910.

'912, resolved claims settlements. Yes, I see that.

Q. And you see the line second from the bottom, "cash to income"? Do you see that?

A. I do.

Q. Is that the cash that EMC received from settlements that went into its income?

A. Give me a minute to look at the sheet, and then I will answer your question.

I see the numbers, this 45 million, and I see inventory exposure, PSA

M. HAGGERTY

breach exposure, future claims and uncollected cash, and then I see cash to income of 14 million.

And as I sit here today, I don't know what that refers to.

Q. Earlier, we had looked at an earlier slide that ends in '903.

A. Yes.

Q. And it had an asterisk at the bottom that said, "Not all resolution options result in cash to firm. For cash received amount, see page 12."

A. Yes.

Q. Do you have any idea if this cash to income here is what that note is referring to?

A. I don't know. I don't know one way or the other.

Q. I am going to mark three internal audit reports and hand them to you at the same time and ask you to review them and if you recognize them and what they are.

A. Okay.

Q. Miss Haggerty, I am handing you